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CONFIDENTIAL

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Chief, Procurement Division, OL
Attn : Chief, Contracts Branch
Chief, Engineering Division, OC

25X1

Contract No. XC-646 with

25X1

1. It is the opinion of this Division that the items included in the tool list, bill of materials, and the residual inventory supplied by the contractor appear to be reasonable and accurate.

2. The unbalanced overages appearing in the residual inventory are mainly due to the contractor's purchasing method employed at the time of this contract. It was his practice to order all components in quantities exceeding the units being manufactured by 10% to allow for rejects and items tested to destruction. The contractor now claims to have modified this method to a more conservative and systematic procedure.

3. The residual inventory will be requisitioned into stock as part of a replacement parts program now being established by the Material Support Branch, OC-E. The tools as indicated will be included with others acquired under the RS-1 contracts which are destined for storage under a separate storage contract now being arranged with the subject contractor.

25X1

Acting

57 32
/ CA / RD
R&D-EP/RID/wlm

(10 October 1955)

cc: R&D Subject File ✓
Reading
Chrono
Dev-ep

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